(T)

Secrt. II-27—164,000—1.11.

DEV. (1951) Department.

[MS] SERIES.

G.O. NO. 5822

Dated 23. 11. '51.

[Despatch Abstract.]

Coop. Societies – Land Mortgage Banks in South Kanara district – Issue of loans and memoran of valuation Suggestions Orders passed.

To

The Hon'ble Sri K. Chandramouli,
Minister for Local Boards & Co-operation,
Camp: Mangalore.

Memorandum presented by the Co-operative Land Mortgage Banks, Mangalore & Puttur, South Kanara.

Mangalore, dated 18-5-51.

21 MAY 1951
GOVT OF MADRAS
DEVELOPMENT

Sir,

We wish to avail ourselves of your presence in this town to urge before you certain important matters affecting the future of our Banks. We have placed these points before the Directors of the Madras Co-operative Central Land Mortgage Bank who visited Mangalore in April last along with the Deputy Registrar of Land Mortgage Banks, Coimbatore. A summary of our discussions with the Committee is enclosed. As this matter will come up before Government in due time for granting us necessary relief, we venture to post you in advance with the outlines of our grievances.

The conditions of agriculture and the system of land tenure prevalent in these parts are peculiar to our district and the Directors aforesaid have been convinced that our demands are legitimate, but unless you are also satisfied likewise, we run the risk of Government turning down our proposals. Therefore, we feel that it is necessary to convince you as we have succeeded in convincing them.

I Valuation of Properties: The present method prescribed in this regard result in gross under-valuation and many deserving cases are refused loans by our Bank as a result. Prior to 1948, valuation was based on capitalising income alone; but now we are enjoined to compare it with sales statistics in Sub Registrar's Office and recommend only the lower of the two. In South Kanara, we have three-crop wet lands adjoining single-crop lands. Sale statistics relating to one-crop lands will reduce the value of adjoining 3-crop lands beyond any justifiable necessity and a consolidated figure for a mixed group of lands is no safe

Contd.

safe guide at all. The practice prevailing till 1948 has, therefore, to be restored, particularly because of the high stamp duties, there is a tendency to show low value in sale deeds.

V/ For capitalising from value of income derived annually, the income should be gathered from lease-deeds supplemented by local enquiry where necessary and calculating income in cash at the value of Rs.10/- per mura instead of at Rs.5-8-0 per mura as per rule or at Rs.6/- as recently permitted, against the procurement price of Rs. 14/- per mura. The district can be conveniently devided into three belts, viz. the coastal, upto 20 miles from sea-shore, the middle-belt five miles further interior and the third, sub-ghaut area lying beyond 25 miles from the sea-shore, having regard to the facilities for cultivation and transport and other factors affecting land value. In the coastal belt, capitalisation should be at 16 times the net income, in the middle belt 14times and in the sub-ghat area, 10 times the net income.

II Aliyasanthana Family Debts Provided for in Partition Deeds: Great care was necessary before the Aliyasanthana Act of 1949 became Law in lending money to Managers of Aliyasanthana joint families. But in respect of sharers at a partition who enter into a Registered Partition Deed and borrow to discharge family debts referred to in the Partition, no such fear need be entertained and therefore the Banks should be permitted to issue loans in such cases.

III Properties Subject to charges for Viniyogas, etc. may be permitted to be accepted as security if they are petty and if the charges for 10 years are deposited in the Bank in advance.

For the Mangalore Bank : 1. President.
2. Director. (Treasurer)
3. Secretary.

For the Puttur Bank: 1. President.

the time of 1902 settlement. It is stated that these groupings were made with reference to the condition of the villages and the availability of transport facilities which have improved considerably since then. Communications have been improved by construction of roads into the interior and the plying of a large number of lorries. The produce could therefore be brought to market centres quickly and at very cheap rates. The banks wanted that the present grouping may be revised. It was suggested that the area may be divided into 3 belts (i) coastal belt (ii) Middle belt and (iii) subghat area, the coastal belt comprising of lands within 20 miles of the coast, the middle belt of lands within 20 to 25 miles from the shore and the subghat area of lands beyond 25 miles from shore. It was requested that the lands in coastal belt may be valued upto 16 times the net income, the lands in the middle belt upto 14 times the net income and the lands in subghat area upto 10 times the net income.

II ALIYASANTHANA FAMILIES DEBTS PROVIDED FOR IN THE PARTION DEEDS.

* * *

Under section 30 of the Madras Aliyasanthana Act 1949, it is stated that no mortgage without possession of Kutumba property shall bind the kutumba unless the mortgage is executed by the ejman and for kutumba necessity. It was suggested that land mortgage banks may be permitted to lend for discharging antecedent debts provided for in partition deeds in Aliyasanthana families. It was stated that the Act has provided for the guardianship of minors and the minors intersts would be well protected by the minors parents or husbands who were competant to act as guardians under the Act and who would not act to the prejudice of their own minor children. When the partition is effected through Court, such partitions and debts provided for therein may be accepted and loans issued for discharge ofthe same. It was urged that partitions.may be relied upon as they are not set aside unless fraud is established. But the possibility of the parties xxxx colluding to defeat the rights of the bank could not be altogether over ruled. So it was agreed that each case had to be examined on merits.

III ACCEPTING PROPERTIES SUBJECT TO CHARGES FOR MAINTENANCE, DEVATHA VINIYOGAS ETC.

* * *

In G.O.No.5270 dated 31-10-1949 the Gov rnment have permitted that lands subjected to petty charges by way of annual payments to a temple or a widow or other person may be accepted as security provided that the capitalised charge for 20 years is remitted into the concerned primary banks in advance of the disbursement of the loan amount. It was also suggested that bylaw No.43 should be suitably amended.

The banks in their memorandum suggested that the annuity for 20 years referred to above may be reduced to annuity for 5 years. This was considered to be not safe and the banks agreed to the deposit of 10 years annuity, the borrower being asked to meet the charge from year to year. The banks are to watch payment just as they watch payment of kist to Government and take suitable action when theye is any default in such payment.

* * *

Summary of discussions prepared by the Executive Committee of the Madras Central Land Mortgage Bank with the representatives of Land Mortgage Banks in South Kanara on 22nd April,1951 in Mangalore.

* * *

VALUATION OF PROPERTIES: The representatives of the banks urged that the method of valuation adopted now results in gross under-valuation and shuts out a number of agriculturists from getting the benefits the bank affords. Therefore they want that the present system of valuing the properties with reference to sale statistics and with reference to income from the properties and adopting the lesser of the two values, so ascertained should be revised. It was urged that the sales statistics method was not the correct method and was not practicable. They want that the valuation based on income should be adopted as was being done before, 1948.

SALES STATISTICS METHOD IMPRACTICABLE: In the South Kanara District in the Survey field you get all types of lands, viz. wet (double or single crop) garden (both good and technical) and dry lands. So the value or price paid for the adjacent land may have no relation to the price of the land in question.

Generally a sale includes all types of lands, wet, garden and dry. Sales of one type of land are very rare. From the sales statistics it could at best be seen that so may acres of wet, so many acres of garden and so many acres of dry lands were sold for a consolidated amount. The amount paid for each kind of land cannot be ascertained or worked out from the statistics. To devide the price paid by the extent sold would amount to putting wet, garden and dry lands on the same level which is anomalous. Again the productivity or otherwise of the soil cannot be ascertained from the statistics.

Thirdly the actual amount paid for a sale is not mentioned in the sale deed to save stamp duty and registration charges.

For these reasons, the representatives urged that the sale statistics should not be relied upon either as basis for valuation or checking the valuation adopted.

CAPITALISING THE INCOME IS THE MORE SATISFACTORY METHOD.

The usual way in which the land value is ascertained in the district is said to be capitalising the income at a certain number of years purchase. It was represented that the people in their private transactions, the courts in land acquisition cases and the Government in land acquisition cases were assessing the value of the lands by this method only. The lands offered for security to L.M.Bs. were also valued in this manner till 1948.

FOR ADOPTING THIS METHOD FOR VALUING THE LANDS WHAT SAFEGUARDS SHOULD BE TAKEN.

1. Yield from the land should be correctly ascertained from the lease deeds. The lease deeds though not registered were said to have been preserved and filed in courts of law whenever necessity arose. It was suggested that the average yield for the last ten years may be taken.

In the absence of lease deeds the yield is to be assessed on local enquiry:

2. Assessing the value of the net yield ascertained.

It was represented that the price now adopted was ridiculously low. The price adopted for one mura of rice is Rs.5-8-0 whereas the market rate was Rs.14/- It was urged the value may be put at least at Rs.10/- per mura. Similarly the price adopted for other produce should be revised.

3. After determining the value of the produce, the value of the land is to be computed at a certain number of years purchase. The grouping referred to in the Registrar's circular 91723/48J refers to the grouping made by the Revenue Department at the time

p.t.o.

Dev. Dept.

Endorsement No. 56842 Poll/51-1 d. 23.5.51

Referred to the R. C. S. for (urgent)

Remarks

22.5.51

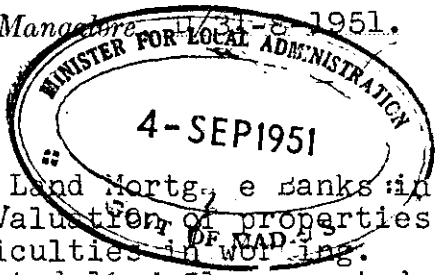
22.5.51

To the R.C.S. (with copy of N.O.) Please see HM (L.A.)'s note (N.R. 25.6.51) (ppl-t alone) at p 1 above

22.5.51

The South Canara Central Co-operative Bank, Limited,

MANGALORE, (S. K.)



D. O. No. — *Mangalore* 31-8-1951.

Dear Sir,

Co-operative Land Mortgage Banks in South Canara - Valuation of properties etc. - Difficulties in working.

Ref: Memorandum dated 18-5-51 presented to you in Mangalore.

97631

May I invite your kind attention to our memorandum cited in which we had represented certain difficulties experienced by the Land Mortgage Banks here in carrying out the present method of valuation, particularly. A change in the policy and the method was agreed to by personal discussion between ourselves and the Executive Committee of the Central Land Mortgage Bank. I understand that the Committee met again in Madras after their return from here and they decided to accept the recommendation to value the lands on the basis of Capitalisation as obtained prior to 1948 and to reclassify the villages with reference to the conditions obtaining at present. I am reliably informed that, after thorough discussion, the Registrar was convinced that there is no danger or risk in adopting this revised procedure. I believe the Registrar has communicated his proposals to Government.

I shall feel much obliged if you will kindly see that favourable orders are passed at a very early date. I say this because the work in the Puttur Bank has almost come to a standstill on account of the system of low valuation adopted at present.

Thanking you.

Yours sincerely,

G. N. Shivaram

The Hon'ble Sri R. Chandramouli, Minister for Co-operation, Fort St. George, Madras.

10

Dev Dept.

To AS

The letter at p 9 (above) may be perused.

The remarks of the Res in the matter are awaited.
He was last reminded on 17.8.51
(N.R. 21.9.51)

6.9.51

(illegible)

Co-operative Department

From
Sri J.C.Ryan M.A.,
Registrar of Cooperative
Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.No.53814/51 J. Dated 7-9-1951.

99259
10.9.51

Sir,

Sub:- Land Mortgage Banks in South Kanara - Valuation of hypotheca - methods and basis of valuation and allied matters -

Ref:- Government endorsement No.56842 BIII/51-1 Development dated 23-5-1951.

In their endorsement cited, Government forwarded to me for remarks copies of the memorandum dated 14-5-1951 presented to the Hon'ble Minister for Cooperation by the Land Mortgage Banks, Mangalore and Puthur in the South Kanara District and of the summary of discussions prepared by the Executive Committee of the Madras Cooperative Central Land Mortgage Bank after discussion with the representatives of the Land Mortgage Banks in South Kanara on 22-4-1951. The memorandum indicates briefly the points given in the summary of discussions referred to above regarding the question of the revision of the basis and methods of valuation of the lands mortgaged to the primary Land Mortgage Banks in the area. I examined the points mentioned in them in consultation with the Central Land Mortgage Bank and the Deputy Registrar, Land Mortgage Banks, Coimbatore. I offer below my remarks on the suggestions made in the Memorandum.

2. At the outset, I may state that some years back, the primary Land Mortgage Banks in the Districts of Malabar and South Kanara represented that the terms of issue of loans by them should be liberalised by enhancing the maximum limit for loans to the extent obtaining in other districts and that lands coming under certain tenures might also be accepted as security. After a careful examination of the question by the Central Land Mortgage Bank and myself Government issued orders in G.O.Ms.No.5270 Development dated 31-10-1949 liberalising the conditions of loans by those Land Mortgage Banks.

3. In February 1950, the Conference of representatives of Land Mortgage Banks held in Madras passed a resolution that the methods and basis of valuation of the properties mortgaged to the Land Mortgage Banks in the State should be revised. A sub Committee was constituted by the Central Land Mortgage Bank to go into the question. I invite attention to my letters R.C.112114/49 J dated 17-8-1951 and 13-12-1950 disposed of in G.O.Ms.No.1177 Development dated 17-3-1951. The valuation sub committee considered that the existing practice should continue in the Malabar and South Kanara Districts. Government were pleased to accept the recommendation, and observed as follows:-

"The Government have already liberalised certain conditions governing the grant of loans by Land Mortgage Banks in these 2 districts (Malabar and South Kanara districts) in G.O. No.5270 (Ms) Development dated 31-10-1949. No action is therefore necessary".

4. The banks in the South Kanara District have now requested revision of the existing orders in regard to the methods of valuation. I furnish below a statement showing the existing practice and the modifications requested by the representatives of the Land Mortgage Banks in the South Kanara District.

P.T.O.

As existing.	Revision suggested in the Memorandum.
1) The valuation of hypotheca should be made taking into consideration the capitalisation value or the sales statistics value whichever is less.	It is represented that the "sales statistics" method is not the correct one and is not also practicable. Only capitalised value should be taken for purposes of valuation.
2) For capitalising the value, the value per mura of paddy is taken as Rs.5-8-0.	The capitalisation value should be arrived at by taking the value of a mura of paddy at Rs.10/- as the procurement price is Rs.14/- per mura.
3) The District is divided into groups in accordance with the Revenue settlement for purposes of computing the value of the land viz. at not more than 16 times the net income in the case of Class I Group Villages, at not more than 12 times in the case of Class II Group of villages, and at not more than 8 times in the case of interior and remote villages grouped as class III.	The District should be divided into 3 belts viz., the Coastal belt upto 20 miles from the sea shore, the middle belt five miles further interior, and the third, subghat area lying beyond 25 miles from the sea-shore. The facilities for cultivation and transport and other factors affecting land values should also be taken into account. In the coastal belt, capitalisation should be at 16 times the net income, in the middle belt at 14 times and in the subghat area at 10 times the net income.

The Executive Committee of the Central Land Mortgage Bank considered this subject at its meeting held on 19-7-1951 and resolved as follows:

"Revision of the methods and basis of valuation"

"Registrar be requested to regroup the villages taking into account their present conditions. The capitalisation will remain unaltered at 8,12 and 16 years income as at present."

As regards item (1) above, recorded sale statistics alone can give a correct indication of the value of the lands and they cannot be ignored on the plea that the actual amount paid for a sale is not mentioned in the Sale deeds. If people cheat Government of their revenue by registering sale deeds for less amounts than what is paid, the Central Land Mortgage Bank ought not to reward them for such conduct by giving them large loans based on actual values. I consider that the existing method i.e. taking the valuation made according to sales statistics or the valuation according to capitalisation whichever is less should be retained.

Regarding item (2), the Central Land Mortgage Bank considers that taking the value of paddy viz. at Rs.10/- per mura would result in over-valuing the income, and consequently in the over-valuation of the lands. The price of paddy and other produce has been fixed on a uniform basis for the whole State, with reference to the prevailing prices in prewar days. The value of paddy per mura will not be the same as now for the next 20 years, which is the period of the loan. No exception can be made for the South Kanara District. The present practice should therefore continue.

With regard to the 3rd point regarding the revision of the grouping of the villages in the South Kanara District, I am consulting the Board of Revenue. I shall send my report in the matter

P.T.O.

on hearing from it.

5. The banks have suggested that they may be permitted to lend for the discharge of debts provided for in the partition deeds in respect of families governed by the Aliyasanthana Act. This question was discussed at the Conference held on 22-4-1951 at Mangalore, and it was agreed that each case had to be examined on its merits. The Executive Committee of the Central Land Mortgage Bank also considered the matter and resolved as follows:-

"Each case will be considered on its merits as is being done now".

I suggest that this resolution may be accepted.

6. The next point raised is that lands subject to petty charges like Viniyoga or maintenance may be accepted as security provided that the capitalised value for 10 years of the charges is taken as deposit.

The Deputy Registrar, Land Mortgage Banks, Coimbatore recommends the proposal of the Primary Banks. The Executive Committee of the Central Land Mortgage Bank has resolved as follows on this subject:-

"Acceptance of lands subject to charge:-

"Lands subject to petty charges like Viniyoga or maintenance may be accepted as security provided that the capitalised value for ten years of the charges is taken as security deposit subject to the condition that if the annual charges on account of maintenance or Viniyoga is not paid in any one year, the loan will be foreclosed".

I invite attention to G.O.Ms.No.5270 Development dated 31-10-1949. With regard to conclusion 7 mentioned in that order Government permitted the Land Mortgage Banks to accept as security properties subject to petty charges by way of annual payments to a temple or widow or other person provided the capitalised value of the charge for 20 years was paid to the primary land mortgage banks concerned in advance of the disbursement of the loans. They also suggested an amendment to model bylaw No.43 of the banks to give effect to their order. I consider that the safeguards suggested in the resolution of the Executive Committee are adequate and that the proposal may be accepted. Model bylaw 43 of the Primary banks may be amended to implement the revised proposals as detailed below.

P.T.O.

½ 4

"Property subject to periodical petty charges for Devatha Viniyogams or maintenance shall for the purpose of this bylaw be deemed to be free from encumbrance, if the capitalised value of such charge payable during the ~~last~~ 10 years of the period of the loan is deposited in the bank. The bank shall foreclose the loan, if the annual charge on account of the maintenance or Viniyoga is not paid in any one year"

Government may approve this proposal also.

8.9.51

for Registrar.

TDV/7.9.

½ 7/9/51

Sub:- Cooperative Societies - Land Mortgage Banks in South Kanara ~~district~~ - Issue of loans and methods of valuation - Suggestions - Orders passed.

Ref:- Memorandum dated 18-5-1951, from the land mortgage banks at Mangalore and Puttur.
From the R.C.S.No.Rc.53814/51 J dated 7-9-1951.

G.O.(Ms) No. 5822 dated 23.11.51.

The Government have considered in consultation with the R.C.S. the suggestions ~~contained in the memorandum~~ of the Mangalore and the Puttur land mortgage banks in the South Kanara district (contained in their memorandum cited) and proceed to pass the following orders:-

2. Valuation of the hypotheca: At present, the valuation of the hypotheca is made by taking into consideration the capitalised value or the value based on sales statistics, whichever is less. It is represented that the "sale statistics" method is not the correct one and also not practicable and it has been suggested that only the capitalised value of the hypotheca should be taken into account. The Registrar considers that recorded sale statistics alone can give a correct indication of the value of the lands and that they cannot be ignored. The banks have urged another reason also, viz., that sale statistics relate more often than not to mixed groups of lands and cannot therefore be a safe or sure guide. In such cases, the valuation is done after making all necessary allowances for advantage of situation, differences in soil, taram etc. It is only after making due allowance for such varying factors that the net price for the lands sold is ascertained and, on that basis the value of the land proposed to be mortgaged to land mortgage banks is determined. This method of valuation applies to the entire State and the Govt. do not see any reason why it should be deviated from in the case of the South Kanara district alone. The Govt. therefore, accept the Regr.'s view that the existing method of taking into account ~~both~~ the

[redacted]italised value ~~and~~ or the value based on sale statistics, which-[redacted]r is less, for purposes of valuation of the hypotheca, be retained.

3, Valuation of produce for arriving at capitalised value: [redacted]e banks have suggested that the price per mura of paddy be raised from Rs.5/8- to Rs.10/- The Madras Cooperative Central Land [redacted]ortgage Bank is of the view that this would result in over-~~valuation of~~ valuing the income and ~~secondly~~ Consequently in the over-valuation of the [redacted]nds. The price of paddy and other produce has been fixed on an uniform basis for the whole State with reference to the prevailing prices in pre-war days. As any price now fixed will not be the same throughout the currency of the loan for 20 years, it will have to be necessarily fixed on the cautious side. The Govt. have therefore prescribed the valuation of the produce at not more than 20% above the pre-war values, provided it does not exceed the average of the present and prewar values. The Govt. agree with the Regr. that no exception can be made for the South Kanara district in this respect and that the present practice should be continued.

4, Regrouping of the South Kanara district into 3 belts for purposes of valuation:- The Regr. has consulted the Bd. of Revenue and has promised to send his report on hearing from it. Separate orders will be issued after receipt of this report.

5. Grant of loans for the discharge of debts mentioned in the partition deeds of Aliyasanthana families: The Registrar agrees with the view of the Executive Committee of the Central Land Mortgage Bank that each case may be considered on its merits, as is being done now. The Govt. accept this view.

6, Grant of loans on the security of lands subject to petty charges like viniyoga or maintenance. In G.O.(Ms) No.5270, Development. dated 31.10.1949, the Govt. permitted land mortgage banks to accept as security properties subject to petty charges by way of annual payments to a temple or a widow or other persons, provided the capitalised value of the charges for 20 years was paid to the banks concerned in advance of the disbursement of the loans. It has now been suggested that the

loans subject to viniyoga or maintenance may be accepted as security, provided that the capitalised value (of the charges) for 10 years (instead of 20 years) ~~of the charges~~ is deposited with the banks concerned. The Central Land Mortgage Bank has recommended that this suggestion may be accepted, subject to the condition that, if the annual charges on account of viniyoga or maintenance are not paid in any one year, the loan should be foreclosed. The Registrar considers that this safeguard is adequate and has commended the proposal. The Govt. accept the proposal and the following (amendments) suggested by the Registrar, to ~~model~~ bylaw (43) ~~43~~ of the (model) bylaws relating to land mortgage primary/banks:-

A ~ p13CF

B ~ p13CF

" Property subject to periodical petty charges for Devatha Viniyogams or maintenance shall for the purpose of this bylaw be deemed to be free from encumbrance, if

p.t.o.

the capitalised value of such charges payable during the first 10 years of the period of the loan is deposited in the bank. The bank shall foreclose the loan, if the annual charge on account of the maintenance or Viniyoga is not paid in any one year.

15.11.52 15/11/52

To the R.C.S.
" the A.G. thro' the Finance Department.
S.F. on l.m. banks.

Added 25/11/52

19

THE PUTTUR DIVISION CO-OP. LAND MORTGAGE BANK LTD., L. No. 384. PUTTUR,
Co-operative Buildings, PUTTUR. S. K.

OR. 686/52 Dated 11-6-52 194

M. Shiva Rao. -President
B. Mangesh Rao. Vice-President
B. Prabhakara Rao. M. A, B. L. -Secretar
H. Pundarika Rao. B. A, B. L. -Treasurer

To

The Secretary,
to Government of Madras,
Development Department, MADRAS.

66529

Ref No Sir,

M 3-4 Color

I am sending for your information a true copy of the Resolution passed by the General Body of this Bank at the meeting held on 27-4-1952. The Resolution speaks for itself and does not require any special explanation. It is hoped that the Government will give relief in the direction desired.

FIRST ASST. SECRETARY TO GOVERNMENT
16 JUN 1952
DEVELOPMENT DEPARTMENT

Yours faithfully,

B Prabhakara Rao

Secretary.

Copies to
1. The Registrar of Co-op.Societies, Madras.
2. The Deputy Registrar for L.M.Banks, Coimbatore.
3. The Deputy Registrar of C.S.Kasargod.
4. The Secretary C.L.M.B.Madras.

PUTTUR DIVISION CO-OPERATIVE LAND MORTGAGE BANK,LTD.,PUTTUR

Extract from the proceedings of the Annual General Body Meeting held on 27th April 1952 at 3 p.m. in the office of the Bank in the Co-operative Buildings , Puttur.

Present: Sri B.Mangesh Rao- Vice-President
and others.

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RESOLUTION NO. 9:- This General Body strongly urges the Government the necessity for revising G.O.No.5822 Misc.Dev. dated 23-11-1951 which threatens to undermine the prosperity and even the continuance of Land Mortgage Banks in South Kanara based as it is on the recommendations of the Registrar of Co-operative Societies who held no enquiry or discussions with the local representatives of Land Mortgage Banks. On the otherhand the members of the Executive Committee of the Central Land Mortgage Bank who held a local enquiry, discussion, and debiberations in the matter in April 1951 felt convinced by the reasons advanced for revising the methods of valuation of securities and agreed that the interest of the Banks here should not be sacrificed merely for the sake of maintaining uniformity in the methods of valuation throughout the state and the peculiar local conditions of South Kanara ignored.

RESOLUTION NO. 10:- This General Body further resolves that the procurement price of rice be adopted for valuation in the estimates of income of properties offered as Security and in any event not less than Rs. 10/- ten per mura of rice, Rs. 10/- (ten) per 100 one hundred cocoanuts and Rs.300/- per candy of arreca in all valuations of land concerning the annual income for assessing the value of the security offered.

RESOLUTION NO. 11:- This General Body further resolves that the capitalising of value of lands offered as security estimated on the basis of 20 years income as is generously

adopted in Land Acquisition Proceedings in Civil Courts irrespective of the classification of the revenue groups.

Sd/B.Mangesh Rao,
Vice-President & others.

/True Copy/

Secretary.'

23 Rev (B III) Dept.

Memo No. 66529 B III/52. dated 25-6-52

Sub: Cooperative Societies – Land Mortgage Banks – The Puttur Division Coop. Land Mortgage Bank Ltd – Valuation of Hypothecs – Resolutions of the general body meeting – ~~Certain information called for.~~

Ref: (1) From the Secretary, The Puttur Division co-op Land Mortgage Bank Ltd, Puttur. O.R. 686/52 dated 11.6.52.

(2) G.O. MS. No 5822 Rev dated 23-11-51.

A copy of the letter from the Secretary, the Puttur Division Coop. Land Mortgage Bank Ltd. together with its enclosures is forwarded to the R.C.S. for remarks.

2) He is also requested to state when his report referred to in para 4 of the G.O. cited may be expected.

To
The R.C.S. (with enclosures)

CO-OPERATIVE DEPARTMENT

From
Sri J.C.Ryan M.A.,I.A.S.
Registrar of Cooperative
Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.No.96085/52 J. Dated 25-7-1952.

85974

Sir

Sub: The Puttur Cooperative Land Mortgage Bank - Valuation of hypotheca - Resolutions of the General body meeting -

Ref: Memorandum No.66529 BIII/52-1 Development dated 25-6-1952.

I am examining the matter relating to the valuation of hypotheca in the South Kanara district and shall submit my report soon.

for Registrar.
28.7

TDV/28.7.

28/7/52 To AS

Dev (B III) Dept

NR 16.8.52

30/7/52

30.7.52

16/8/52

Dev Dept
2

Memo No. 66529 Bdg/52-2 dated 19.8.52

Sub: Coop Soc Land Mortgage Banks - The Sullur Coop L.M. Bank. Valuation of Hypothecation - Resolution of the General body meeting

Ref: From the RCS letter No 96085/52 T dated 25.7.52

The RCS is requested to state when the report promised in his letter cited may be expected.

19/8/52

19.8.52

The RCS

R. 7.52

CO-OPERATIVE DEPARTMENT

From
Sri J.C.Ryan M.A.,I.A.S.
Registrar of Cooperative Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.53814/51 J. Dated 9-8-1952.

Sir,

FIRST ASST. SECRETARY TO GOVERNMENT
12 AUG 1952
DEVELOPMENT DEPARTMENT

Sub : Land Mortgage Banks in South Kanara - Valuation of hypotheca - Method and basis of valuation - further report -

Ref:1.My letter R.C.53814/51 J.dated 7-9-1951.
2.G.O.Ms.No.5822 Development dated 23-11-1951.

In the letter cited as No.(1), I promised a further report to Government regarding the third item under paragraph 4 of that letter viz., the classification of the South Kanara District into groups or regions. I furnish below a statement showing the existing practice and the modification requested by the representatives of land mortgage banks in that District regarding this item.

As existing.	Revision suggested in the Memorandum.
The District is divided into groups in accordance with the Revenue settlement for purposes of computing the value of the land viz., at not more than 16 times the net income in the case of Class I Group of villages, at not more than 12 times in the case of Class II Group of Villages, and at not more than 8 times in the case of interior and remote villages grouped as Class III.	The District should be divided into 3 belts viz., the Coastal belt-upto 20 miles from the sea shore, the middle belt-five miles further interior, and the third, subghat area, lying beyond 25 miles from the sea shore. The facilities for cultivation and transport and other factors affecting land values should also be taken into account. In the coastal belt, capitalisation should be at 16 times the net income, in the middle belt at 14 times and in the subghat area 10 times.

The Executive Committee of the Central Land Mortgage Bank considered this subject at its meeting held on 19-7-1951 and resolved as follows:-

> "Registrar be requested to regroup the villages taking into account their present conditions. The capitalisation will remain unaltered at 8, 12 and 16 years income as at present."

According to the existing practice each case of valuation of hypotheca by land mortgage banks is considered on its merits and capitalisation value or sale satistics value whichever is less is adopted for valuing the security. The valuation sub Committee constituted by the Central Land Mortgage Bank in 1950 which went into the entire question of the basis and methods of valuation by Land Mortgage Banks in the various parts of the State, reviewed this practice. It recommended that the existing practice should be continued. In their order Ms.1177 Development dated 17-3-51 Government accepted this recommendation in the following words.

" RECOMMENDATION VII OF THE SUB COMMITTEE ITEMS 1 and 2:-

The Sub Committee considers that the existing practice in regard to valuation of lands in the Malabar and South Kanara districts may be continued. The Registrar agrees with this view. The Government have already liberalised certain conditions governing the grant of loans by land mortgage banks in these two districts in G.O.No.5270(MS) Development, dated the 31st October, 1949. No action is therefore necessary."

P.T.O.

B230

In para 2 of that order they also indicated that recorded sale values of adjacent areas should be adopted for purposes of valuation of lands mortgaged to land mortgage banks and that the improvements if any made to the hypotheca might be taken into account. The fundamental principle which should guide the valuation of the hypotheca is the application of the sales statistics method. So long as this principle stands, the alteration or revision in the existing classification of the regions of lands in the District will not matter as ultimately the value arrived at on account of such reclassification will have to be compared with the sales satistics value and the lesser of the two will have to be taken for purposes of valuation. In the circumstances, there is no need to alter the existing procedure.

for Registrar. 11.8.

TDV/11.8.52
11/8/52.

Dev (Sill) Deptt

As the letter from the Rs at pp 11-12 above has now been perused. This is with reference to para 4 of the Go no 5822 dt 23.11.51 and para 2 of the memo at p 5 above. The Registrar's reply to para 1 of the memo at p 5 above has not yet been received and may be awaited till 10.9.52.

20.8.52

20.8.52

THE MANGALORE

CO-OPERATIVE LAND MORTGAGE BANK, LTD., No. L. 393

KODIALBAIL, MANGALORE 3

O. R. No. Dated 28th August 1952.

SECRETARY TO GOVERNMENT DEVELOPMENT

To

Sri. J. M. Lobo Prabhu, I.C.S.,
Secretary, Development Department
Government of Madras,
Fort St. George,
MADRAS.

S I R,

Memorandum submitted to the Madras Co-operative Central Land Mortgage Bank Ltd., Madras.

I am herewith submitting you a copy of the Memorandum presented to the Executive Committee of the Madras Co-operative Central Land Mortgage Bank Ltd., on 23-4-1951 when they visited Mangalore, regarding the special mode of valuation of properties offered as security for loans applied and also on some other subjects mentioned therein. Puttur Bank was doing very good business till this new method of valuation was enforced ; and now the business has gone down. We were assured of sympathetic consideration of our problems and restoration of the old method of valuation on annual income basis and a reasonable increase in the rate of price of rice, cocoanuts and areca. But to our great surprise and regret for the sake of uniformity the G.O. stands as it is. We have again re-opened the question as our position is very difficult if the present mode of valuation is continued. We hope, you, knowing personally,

the nature of our properties here and the basis of valuation on an annual income for any land transaction as private sale or in Land Acquisition Proceedings, you will take a realistic view when the question comes up before the Government again, and do justice to the Ryots and the Land Mortgage Banks working in this District.

Yours faithfully,

SECRETARY

Encl: Memorandum.

KRRNS

JOINT MEMORANDUM PRESENTED TO THE EXECUTIVE COMMITTEE OF THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK LTD., IN MANGALORE ON 23rd APRIL 1951 BY:

(1) CO-OPERATIVE LAND MORTGAGE BANK, MANGALORE.
(2) CO-OPERATIVE LAND MORTGAGE BANK, PUTTUR.
(3) CO-OPERATIVE LAND MORTGAGE BANK, UDIPI.

SECRETARY TO GOVERNMENT
2 SEP 1959
DEVELOPMENT DEPARTMENT

We as representing the above-mentioned Banks, place before the Committee the following points on the main difficulties felt by the Banks which have contributed to their slow progress in the past and seriously hamper their improvement in the future for favour of discussion and suitable solution to resolve the anxious situation seriously facing the Banks.

I. VALUATION OF PROPERTIES: The properties offered as security are grossly undervalued according to the strict following of the present method prescribed by the Bank and communicated by the Registrar in his Circular No.B.91713/48 J dated 18-10-1949. Ever since the inception of the Co-operative Land Mortgage Banks in this District until the beginning of 1948, the value of properties was arrived at by capitalising at 20, 18 and 16 times the net income of property in villages under groups No. 1, 2 and 3 according to the settlement in 1902. Since 1948, the capitalisation has been reduced to 16, 12 and 8, with an additional restriction that in all cases, Sales Statistics from the Sub Registrar's Office should be obtained which should form a crucial test for deciding as to the correct valuation and the final valuation adopted should be the lesser of the two. We urge that the restrictions imposed in 1948 should be removed altogether and the status-quo restored. In this connection, the following factors may be considered :-

1. The most logical, practical and common basis adopted by (i) people in their private transactions, (ii) Business dealings (iii) By the Courts in Land Acquisition cases, (iv) By Government in Land Acquisition and (v) By the Board of Industries under the Madras State Aid Industries Act, is capitalisation by the yield of the properties, valuing the yield at the current market rates of interest in Banks and on gilt-edged securities with due regard to future trends. We are unable to understand why this free and natural system of valuation universally in vogue should be rigidly tightened down, so as to reduce the valuation to an un-workable low level, thereby keeping out a very large majority of the agriculturists who stand in need from participating in the benefits conferred on them by our Banks and driving them into private channels with obviously injurious results.

Yield and capitalising by taking into consideration the current

2. In the adoption of prices for the produce, the rates are ridiculously low. This contributes very substantially to the under-valuation and it is imperative that the rates should be revised and raised to a higher level with due regard to the rise in the levels of prices and the future trend for rise. The prices in vogue in valuation and prevailing market rates are shown below for comparison :-

Kind of Produce.	Rate adopted by Banks for valuation. Rs.	Market Rate. Rs.
Rice Per Mura	5- 8- 0	14- 0- 0
Arecanut - Per Candy	132- 0- 0	500/- to 700/-
Cocoanut - per 100	5- 8- 0	25/- to 30/-

How ridiculously low are the prices can be made out by a glance at the above table. We urge that a certain percentage from the current market rates may be deducted from the prevailing

market rates, so as to make due provision for any possible fluctuation in future and the existing prices raised to not less than twice the old pre-war rates.

3. In connection with the capitalisation varying from group to group of villages, relying upon the classification at the old settlement of 1902, we submit that the condition of most of the villages has improved considerably since, with the improvement of communications by construction of roads into the interior and by the plying of a very large number of motor vehicles bringing the produce to market centres quickly and at cheap rates. The conditions have so thoroughly changed that the villages fairly approximate to perhaps only 2 groups, viz., the coastal and the interior. The old grouping is of no current value and the old order of things does not deserve to be adhered to having regard to modern conditions.

4. SALE STATISTICS: This is insisted upon and held up as a test to find out the soundness of valuation by capitalisation. We submit that this test is, for all practical purposes, no test at all since all that could be gathered from the statistics is a lumpsum sale price for a certain number of acres of wet garden and dry. It is impossible to find out what portion of the price has been fixed for each class of land. No details are forthcoming as to the produce of the different classes of lands and how much is waste and how much is productive. Moreover, it is a notorious fact that in order to reduce the expenses connected with the documents with regard to Stamp Duty, registration, etc., the sale price shown is far lower than the real price fixed and paid as shown in the documents. Hence, the Sale Statistics from the Registration Office cannot be taken at all as any help and have to be ignored, altogether.

5. We may state generally that lands are going up in valye in this District as in all other Districts and there are far fewer change of hands by voluntary sales or thfough Court Auction.

II. ALIYASANTHANA ACT: There is very large scope ~~in~~ for lending to families governed by this Act, for the discharge of the family debts allotted under the Partition provided in the Act. In regard to this matter, the provisions of the Act have to be given effect to. The Manager of an Aliyasanthana family, has power to borrow on Mortgage executed for Kutumba necessity or benefit. Our Banks may be permitted to lend for discharging anticedent debts at least those provided for in a partition deed to which all members of the deed are parties.

III PROPERTIES SUBJECT TO CHARGES: In the case of properties subject to small minor charges for maintenance, Devatha Viniyogas and small annual dues for equalising shares in partition deed, the loans should be permitted without insisting upon the deposit of the annual charges for long periods as is now done. The period should be cut down to reasonable proportions, say not more than 5 years annual dues.

IV. Loans on the security of Mulgars (Lessor's) interest on properties let out on Mulgeni (permanent lease) should be permitted.

V. The Ban, if any, on the security of arecanut garden should be lifted. There is no reasonable or rational basis for imposing such a ban.

VI. SUBSIDY: The Udipi and Mangalore Banks have no sufficient business to leave a working margin for employment of a Supervisor. Till 2 years back, subsidy was given to most the cost of the Supervisor by the C.L.M.B. This should be renewed.

(TRUE COPY)

The Co-op.Land Mortgage Bank, Mangalore.
The Co-op.Land Mortgage Bank, Puttur.
The Co-op.Land Mortgage Bank, Udipi.

Secretary. Coop. Land Mortgage Bank
Mangalore

Dem (B III) 3 Dupt 19

(4)

Memo. No 665:29 B III/52-3 dated 9-9-52.

Subs:- Cooperative Societies - Land Mortgage Banks - The Puttur Division Coop: Land Mortgage Bank Ltd - Valuation of Hypothecated etc

Ref:- (1) Govt - Memo. No 665:29 B III/52-1 dated

(2) Letter from the Secy, the Mangalore C.L.M.B. Ltd dt 25-6-52.

A copy of the letter from the Secretary the Mangalore Coop: Land Mortgage Bank, Ltd. together with its enclo is forwarded to the R.C.S for remarks in continuation of the memo cited

8/9/52

TO THE R.C.S (with a copy of Typ 13-14 CP) R 1.10.52.

Note:- Please see the letter from the Secy, the Mangalore Coop: Land Mortgage Bank, Ltd, and

38

it ends on pp 13 - 17 of and the orders of Th. Secy on p 13 cf. A similar representation received from the Secy, the Puttur Coop: Rural Mortgage Bank. Ltd. Puttur, (South Kanara) has been already forwarded to the R.C.S and his report is awaited. A copy of the letter and its enclosures on pp 13-17 cf may also be sent to the R.C.S for remarks in connection. Subject to orders, the draft memo on p 1 above is sent for approval.

5/9/52

39

CO-OPERATIVE DEPARTMENT

From
Sri J.C.Ryan M.A.,I.A.S.,
Registrar of Cooperative
Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.No.96085/52 J Dated 3-9-1952.

Sir,

101474 6.9.52

Sub : Land Mortgage Banks - The Puttur Land Mortgage Bank -Valuation of hypotheca - Resolution of the General body meeting -

Ref : Government memorandum No.66529/BIII-52-2 Development dated 19-8-1952.

I am examining the matter and shall submit my report soon.

for Registrar. 5.9

TDV/4.9.

Dev (B III)

N.R. 1-10-52

11.9.52

Reminder

Dev (Bill) 22

Memo. No. 5228 B III 52-A dt. 3/10/52

Subj:- Coop Socs - Land Mortgage Banks - the Guntur Coop Land Mortgage Bank Valuation of hypotheca - Resolution of the General Body meeting

Ref:- From the RCS letter no 76085/52-J dated 3-9-52

The RCS is requested to state when the report promised in his letter cited may be expected

for
3/10/52

To
The RCS
(D.O. 17-10-52)

43 28

116517

CO-OPERATIVE DEPARTMENT.

From	To
Sri J.C. Ryan, M.A., I.A.S.,	The Secretary to Government,
Registrar of Cooperative Societies,	Development Department,
Chepauk, Madras - 5.	Fort St. George, Madras.

No. RC 96085/52-J, dated 11-10-1952.

Sir,

Sub:- Land Mortgage Banks - The Puthur Cooperative Land Mortgage Bank Ltd. - Resolutions passed at the General Body meeting held on 27-4-1952 Remarks submitted.

Ref:- 1. G.O. Ms. No. 5822 Development dated 23-11-1951.
2. Development Department Memorandum No. 66529 B.III -52-1 dated 25-6-1952.

In their Memorandum cited, Government forwarded to me for remarks, a copy of the resolutions passed at the general body meeting of the Puthur Cooperative Land Mortgage Bank Ltd. in the South Kanara District. I offer below my remarks on the resolutions.

Resolution 9:- The General Body urges on Government the need for revising G.O. Ms. No. 5822 Development dated 23-11-51 in which Government passed orders on the suggestions of Land Mortgage Banks in the South Kanara district regarding the method and basis of valuation of hypotheca in that district. The General Body objects to the taking into account of sales statistics of lands while appraising hypotheca, as envisaged in the G.O. cited. In my letter No. RC 53814/51 dated 7-9-51, I informed Government that recorded sale statistics of adjacent lands alone could give a correct indication of the value of the lands offered as security for loans from land mortgage banks. Accepting this view, Government observed in their order cited that this method of valuation applied to the entire State and that there was no reason why it should be deviated from in the case of the South Kanara District alone. I also invite a reference to the last paragraph of my letter RC 53814/51 J dated 9-8-1952 wherein I re-iterated the above view and stated that the fundamental principle which should guide the valuation of the hypotheca is the application of the "sale statistics" method. I do not see any justification now for revising the existing practice.

Resolution No.10:- The primary land mortgage bank suggests that the procurement price be adopted for valuation in estimating the income of the hypotheca and, in any event, not less than Rs. 10/- per mura of rice, Rs. 10/- per 100 coconuts and Rs. 300/- per candy of areca nuts in all valuation of lands in reckoning the annual income. In paragraph 3 of G.O. 5822 Development dated 23-11-51, Government stated that no exception could be made for the South Kanara District in the matter of valuation of produce and that the existing practice should continue. As regards the rate of valuation in respect of areca nuts and coconuts, Government have not laid down any specific rates for these two commodities. They have stated in general terms that produce should be valued at not more than 20 per cent above the pre-war values provided the value so arrived at does not exceed the average of the present and pre-war values. I therefore consider that no change is necessary in respect of the practice adopted at present.

P.T.O.

Resolution No. 11:- This resolution states that the capitalising of the value of lands may be estimated on the basis of 20 years' income as is done in land acquisition proceedings in Civil Courts irrespective of the revenue groups. This method cannot be applied to the evaluation of hypotheca in land mortgage banks for the obvious reason that sales statistics from form the basis of valuation. In my letter RC 53814/51 J dated 9-8-52, I have stated that there is no need to alter the existing procedure as laid down in G.O. 5822 Development dated 23-11-1951. The questions of regrouping the villages in the District and estimating the capitalised value on the basis of 20 years' income do not therefore arise.

2. As regards paragraph 2 of Government Memorandum cited, I invite reference to my letter No. 53814/51 J dated 9-8-52 in which I submitted my report called for in paragraph 4 of G.O. 5822 Development dated 23-11-1951.

for Registrar.

A.V.C. 13-10.

Dev (Coop.)

Submitted for perusal. A reply from the Res to the memo at p. 19 above may be awaited file 10-11-52

CO-OPERATIVE DEPARTMENT

From
Sri J.C.Ryan M.A.,I.A.S.,
Registrar of Cooperative Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.96085/52 J. Dated 27-10-1952.

Sir,

Sub : Land Mortgage Banks - Banks in the South Kanara District - Basis and method of valuation of hypotheca - Revision - Representation -

Ref : Development Department Memorandum No.66529 BIII/52-3 dated 9-9-1952.

In their memorandum cited, Government forwarded to me for remarks, a copy of the letter dated 28-8-1952 from the Secretary of the Mangalore Cooperative Land Mortgage Bank Limited. With his letter, the latter had enclosed a copy of the joint memorandum presented to the Executive Committee of the Madras Cooperative Central Land Mortgage Bank during its visit to Mangalore in April 1951. The Secretary has reiterated the need for the revision of the basis and methods of valuation of the hypotheca in respect of land mortgage banks in South Kanara District. The points raised in the Memorandum formed the basis for discussion between the representatives of the land mortgage banks and the Executive Committee members of the Central Land Mortgage Bank on 22-4-51. As a result of this discussion, the conclusions embodied in the summary of discussions referred to me in the Government endorsement 56842/BIII/51-Development dated 23-5-1951, emerged. They were examined in detail in consultation with the Madras Cooperative Central Land Mortgage Bank and the Deputy Registrar, Land Mortgage Banks, Coimbatore and a report was submitted to Government in my letter R.C.53814/51 J. dated 7-9-1951. After considering the recommendations made by me, Government passed orders in G.O.(Ms.)No. 5822 Development dated 23-11-1951 laying down the basis and method to be adopted in evaluting lands offered as security for the loans issued by land mortgage banks in the South Kanara District. I also invite attention to my letters R.C.53814/51-J.dated 9-8-1952 and R.C.96085/52-J dated 11-10-1952 wherein I reiterated the view that the basis and method of valuation adopted in respect of land mortgage banks in South Kanara District did not call for any revision. In these circumstances, I submit that no further action is called for on the letter dated 28-8-1952 of the Secretary of the Mangalore Land Mortgage Bank and the memorandum enclosed to it.

for Registrar.

TDV/29x.

CO-OPERATIVE DEPARTMENT

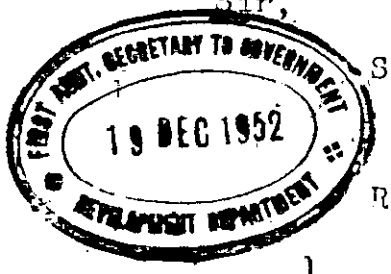
From
Sri J.C.Ryan M.A.,I.A.S.,
Registrar of Cooperative
Societies, Madras.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

R.C.53814/51J Dated 17-12-1952.

C.P. 144135 Dev/52 — 19/12/52

Sir,



Sub: Land Mortgage Banks - Banks in South Kanara District - Valuation of hypotheca. Methods and basis of valuation -

Ref: My letter R.C.53814/51 J.dated 9-8-1952.

I solicit orders.

for Registrar.

18.12

TDV/17.12.

23/12/52

G.O. 2 L
23.11.59

CO-OPERATIVE DEPARTMENT

From
Sri J. C. Ryan, M.A., I.A.S.,
Registrar of Co-operative
Societies, MADRAS.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

No. R.C.96085/52.J dated 17-12-1952.

Sir,

Sub:- LAND MORTGAGE BANKS - The Puthur Land Mortgage Bank - Resolutions passed at the General Body meeting held on 27-4-1952 - Regarding the basis and method of valuation of the hypotheca.

Ref:- My letters R.C.96085/52.J dated 11-10-1952 and 27-10-1952.

I solicit orders.

FOR REGISTRAR.

KS. 17.12.

51

Development(BIII)Dept

Memo. No.144135 BIII/52-1 dated 29.12.52

Sub: Land Mortgage Banks - Banks in South Kanara District - Valuation of hypotheca Methods and basis of valuation.

Ref: (i) From the R.C.S.Rc.No.53814/51, d/17-12-52
(ii) From the R.C.S.Rc.No.96085/52.J, -do-

...

The R.C.S. is informed that the Govt. agree with his view expressed in his letter No.53814/51.J, dated 9-8-52 that there is no need to alter the existing procedure regarding the classification of the regions of lands in the South Kanara District.

2. He is also informed that the Govt. agree with his views expressed in his letters Nos. 96085/52.J, dated 11-10-52 and 27-10-52.

To the R.C.S.

CNO 56842 B III/51.

Development Department

Sub:- Co-operative Societies - Land Mortgage Banks - South Kanara - Valuation of hypotheca - Methods and basis of valuation etc. - Representation of the land mortgage banks at Mangalore and Puttur.

pp 1-3 cf

Ref:- (1) Memorandum dated 18.5.51 of the land mortgage banks, Mangalore and Puttur.

pp 11-14 cf

(2) From the Registrar of Co-op. Societies No.Rc. 53814/51J dated 7.9.1951.

.....

Extracts of orders of H.M.(L.A.) at p. 1 c.f.

"Please examine the points raised by the petitioners and put up a note."

K.C.
18.5.51.

To A.S.:-

In their Memorandum at pp.1-3 c.f., presented to H.M. (L.A.), the land mortgage banks at Mangalore and Puttur in the South Kanara district have made certain suggestions for the revision of the methods of valuation of the hypotheca. These suggestions were discussed by the Executive Committee of the Central Land Mortgage Bank with the representatives of the land mortgage banks in the South Kanara district on 22.4.51 and a summary of the discussions will be found at pp.5.6 c.f. The Registrar has now offered his remarks on the several suggestions in his letter at pp.11-14 c.f. These suggestions are noted on below:-

A on p12 cf

(i) Valuation of hypotheca:- At present, the valuation of the hypotheca is made, taking into consideration the capitalised value or the value based on sales statistics, whichever is less. It is represented that the "sale statistics" method is not the correct one and not also practicable and that only the capitalised value of the hypotheca should be taken into account. The Registrar considers that recorded sale statistics alone can give a correct indication of the value of the lands and they cannot be ignored on the plea that the actual amount paid for a sale is not mentioned in the sale deeds, to save stamp duty and registration charges. The banks have urged another reason also viz., that sale

Item I pp1-3 cf

M on p12 cf

A on p1 cf

statistics relate ~~to~~ more often than not to mixed groups of lands and cannot therefore be a safe or sure guide. In such cases, the valuation is done after making all necessary allowances for advantage of situation, differences in soil, taram etc. In other words, when considering the case of neighbouring lands which have been sold, the transactions are compared with the lands to be mortgaged to see in what points they do or do not resemble each other. It is only after making due allowance for such (varying) factors that the net price for the lands sold ~~is~~ is ascertained and on that basis the value of the land proposed to be mortgaged to land mortgage banks is determined. This method of valuation applies to the entire ~~area~~ State and there seems to be no reason why it should be deviated from in the case of the South Kanara district alone. The Registrar's view that the existing method of valuation taking into account both the capitalised value and the value based on sale statistics, whichever is less, may therefore be accepted.

Vide Chap. V at pp 21-23 of Irrat. Enquiry (Mysore)

M ... p12 cf

(ii) Valuation of produce for arriving at capitalised value: Under the existing orders, the price per mura of paddy is taken as Rs.5.8.0 for capitalising the value. It is ~~representation~~ suggested that the price of one mura of paddy should be raised to Rs.10/-, as the procurement price is Rs.14/- The Regr. states that the C.L.M. Bank is of the view that fixing the value of one mura of paddy at Rs.10/- would result in over-valuing the income and consequently in the over-valuation of the lands. The price of paddy and other produce has been fixed on an uniform basis for the whole State with reference to the prevailing prices in pre-war days. As any price now fixed will not be the same throughout the currency of the loan for 20 years, it will have to be necessarily fixed on the cautious side. The Govt. have therefore prescribed the valuation of the produce at not more than 20% above (the pre-war values, provided it does not exceed the average of ke present and pre-war values. The Registrar considers that no exception can be made for the South Kanara district in this respect and recommends that the present practice may be continued.

M ... p12 cf

N ... p12 cf

N ... p1

The recommendation may be accepted.

(iii) Division of South Kanara district into groups for valuation purposes:- At present, the South Kanara district is divided into three groups in accordance with the Revenue settlement and the value of lands is computed at 16 times the net income for group I, 12 times for group II and 8 times for group III, comprising remote and interior villages. It is now suggested that the district should be regrouped or divided into 3 belts, viz., (a) the coastal belt upto 20 miles from the sea shore, (b) the middle belt---5 miles further interior and (c) subghat belt comprising the area lying beyond 25 miles from the sea shore, and that the facilities for cultivation and transport and other factors affecting land values should also be taken into account. It is also suggested that capitalisation should be adopted at 16 times, 14 times and 10 times the net income for these three new groups respectively. The Registrar states that he has consulted the Board of Revenue regarding the proposed regrouping and that he will send a further report on hearing from it. No orders are necessary now on this point.

(iv) Grant of loans for the discharge of debts mentioned in the partition deeds of Aliyasanthana families:- The banks have suggested that they may be permitted to lend for the discharge of debts provided for in the partition deeds in respect of families governed by the Aliyasanthana Act. At the discussion held on 22.8.51 it was agreed that each case should be examined on merits. The Executive Committee of the C.L.M. Bank has resolved that each case may be considered on its merits, as is being done now. The Registrar suggests that the resolution may be accepted. This may be agreed to.

(v) Grant of loans on the security of lands subject to petty charges like Vinfyoga or maintenance:- In G.O. (Ms) No. 5270, Development, dated 31-10-1949, the Govt. permitted land mortgage banks to accept as security properties subject to petty charges by way of annual payments to a temple or a widow

or other persons, provided the capitalised value of the charges for 20 years was paid to the primary land mortgage banks concerned in advance of the disbursement of the loans. The banks now request that lands subject to Viniyoga or maintenance may be accepted as security, provided that the capitalised value for 10 years (instead of 20 years) of the charges is deposited with the banks concerned. The C.L.M. Bank has recommended that this may be accepted, subject to the condition that, if the annual charges on account of maintenance or Viniyoga are not paid in any one year, the loan will be foreclosed. The Regr. considers that this safeguard is adequate and that the proposal may be accepted. He has also suggested the necessary amendment to bylaw 43 of the model bylaws of land mortgage banks. The proposal and the amendment to bylaw 43 may be accepted.

3. The file may be sent to Finance and Legal for remark

Dy. No. 56842 B III/51-4
21.9.51.

Fin (E.A.)

The file deals with the suggestions made by the Land Mortgage Banks, Mangalore and Puttur S. Kanara Dt., for the revision of the existing basis/methods of valuation of the lands mortgaged to the primary L-M. Banks in the area. The suggestions have been dealt with in the notes of Sub Committee which may

SENIOR ASSISTANT SECRETARY, FINANCE DEPARTMENT
69534
24 SEP 1951
GOVERNMENT OF MADRAS

be passed. No special remarks seem called for on the proposals of Dept. The State funds are not affected. The case may be passed onto Legal (Opinions)

[See Remarks on p. 9 Nf 2 (H)]

16/2995/2998

Dev. 1.X.57 Legal Deptt

Dev. w.o. (1) 534/EA/51-1
1 10 51

The point on which legal opinion is required may kindly be indicated

fbs 11/X/57 Dev Deptt

110924

Legal u.o.no. 17190/51
11.10.51

The Legal Deptt may be requested to advise whether there is any legal objection to the proposal in item (iv) on p 3 above and the proposal and the amendment to Bylaw 43 referred to in item (v) on pages 3-4 above, being accepted

Rev 2.XI.57

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Dev w. 56842 B1/51-6
15/X/51.

The matters referred to above do not raise any question of law. Development may please specify clearly the question or questions of law on which the remarks of this Department are required.

Ker 12/11/57

Summarising Note Dev. Deptt

Legal u.o.no 17865/57-1
12.11.57

The file relates to ~~the~~ certain HH suggestions contained in the Memorandum presented to HM(LA) at Mangalore on 18-5-51 by the Mangalore and Puttur Land Mortgage Banks in the South Kanara dt. These suggestions have been examined in consultation with the

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[redacted] gr. in the notes at pp. 1-4 above.
[redacted] ance have no special remarks to pp 4-5 above
[redacted] offer and the Legal Dept. have stated pp 5 above.
[redacted] that no question of law is involved.

A draft self-explanatory order is put up. It may issue after circulation to HM (LA), with ref. to the minutes extracted at p. 1 above.

15/11/51 15/11/51

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SECRETARY TO GOVERNMENT
23 NOV 1951
[illegible] DEPARTMENT

DEPUTY SECRETARY TO GOVERNMENT
[illegible]
DEVELOPMENT [illegible]

HM (LA) 23/11

[Issued as Gp. (Rs) No 5822 Dev d. 23/11/51] pp 15-18 cf

Development(BIII)Deptt.

C.No.6652/98/III/52-1

Sub: Coop. Societies - L.M.Banks - South Kanara District - Basis and method of valuation of hypotheca - Revision.

Ref: 1. From Secy. Puttur Division Coop. L.M.Bank Ltd., No.O.R.686/52, dated 11-6-52.
Dr. From the R.C.S. No.Rc.53814/51-J, d/9-8-52
Lr. From Secy. Mangalore Coop. L.M.Bank Ltd., No.Nil, dated 28-8-1952.
Lr. from the R.C.S. No.Rc.96085/52.J, dated 11-10-1952
Lr. from the R.C.S. No.Rc.96085/52.J, dated 27-10-1952.

To A.S.

Please see the letter from the Secy. the Puttur Division Coop. Land Mortgage Bank, Ltd., and its encls. on pp.1-4 cf. the letter from the Secretary, the Mangalore Coop. Land Mortgage Bank Ltd., and its encls. at pp.13-17 cf. and the Registrar's letters on pp.11-12 cf. and 25-27 cf.

2. In May 1951, the Land Mortgage Banks in Mangalore and Puttur presented a memorandum in which they made certain suggestions for the revision of the methods of valuation of the hypotheca. Those suggestions were discussed in detail by the Executive Committee of the C.L.M. Bank with the representatives of the L.M.Banks at South Kanara and the decisions arrived at were examined in consultation with the R.C.S. and orders were passed on all the suggestions except on one item regarding Division of South Kanara district into groups for valuation purposes: vide pp.15-18 cf. of G.O.(Ms)No.5822, Dev. dated 23-11-52

3. Regarding 'A' above, the R.C.S. stated that he had consulted the Board of Revenue in the matter. He has now offered his remarks on this item at pp.11-12, cf. As it is, the district is divided into groups in accordance with Revenue Settlement for purposes of computing the value of land viz. at not more than 16 times the net income in case of class I group villages, 12 times in case of class II and 8 times in case of interior and remote villages grouped as class III. The exeutive Committee of the C.L.M. Bank suggested that the villages be regrouped

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taking into account their present condition regarding coastal belt, middle belt, and subghat areas. For the reasons stated by the R.C.S. at 'X' on pp.11-12 cf. he considers that, the fundamental principle which should guide the valuation of the hypotheca is the capitalisation of the sale statistics method and from the recorded sale values of adjacent areas. He considers that so long as this principle stands, the alteration or revision in the existing classification will not matter, as ultimately, the value arrived at will have to be compared with the sale statistics value and the lesser of the two will have to be taken for purposes of valuation. He therefore suggests that there is no need to alter the existing procedure. For orders whether his recommendation may be accepted.

In the memorandum on pp.3-4 cf. the Puttur L.M. Bank has suggested that :

(1) the orders passed in G.O.No(Ms)5822, Dev. dated 23-11-1951, regarding the present method of valuation of hypotheca in South Kanara Should be revised;

(2) the procurement price should be adopted for valuation;

(3) the capitalising of the value of lands should be estimated on the basis of 20 years income as is done in land acquisition proceedings.

Item (1) above:

The R.C.S. states that the fundamental principle which should guide the valuation of the hypotheca is the application of the sale statistics method and that there is no justification for revising the existing practice. For orders whether this may be agreed to.

Item (2) above:

The R.C.S. has recommended that no change is necessary in respect of valuation of lands on produce. For orders whether the Registrar's view will be accepted.

Item (3) above:

The Registrar considers that the method suggested cannot be applied. His view may be accepted.

As regards the letter from the Secretary, the

bb 13-14 cf

the Mangalore Coop. L.M.Bank, it is submitted that the memorandum on pp.15-17 cf. is only a copy of the joint memorandum presented to the Executive Committee of the Madras Coop. Central Land Mortgage Bank during its visit to Mangalore in April 1951, the contents of which were examined by the Bank, the Registrar, and the Government in turn and orders were passed by Government. The Secretary has now re-iterated the need for the revision of the basis and methods of valuation of the hypotheca in respect of land mortgage banks in South Kanara. In view of the views expressed by the Registrar in his letters on pp.11-12 cf. and pp.25-26 cf., he considers that no further action is called for on the letter from the Secretary of the Mangalore Coop. Land Mortgage Bank on pp.13-14 cf. For orders whether the Registrar's view may be accepted.

24.11.52

(B) The papers may now be stitched with G.O.(Ms) No. 5822 Dev dt 23.11.52. The Secy may perhaps see N.V. to M on page 13 cf.

27.11.52

29.11.52